Letter Re: Internal Controls

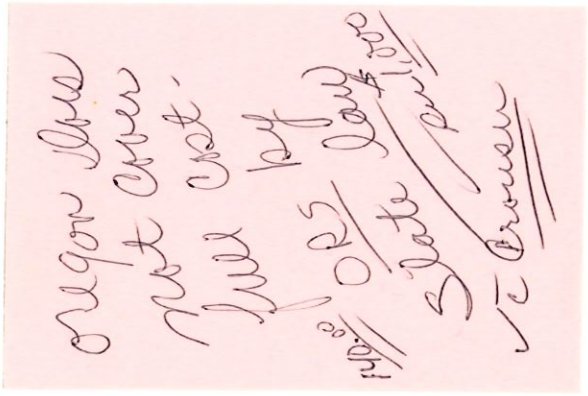
Special Request for use of Reserve funds -
Same address —
Attn: Kevin Chandler

General Electric Credit CORPORATION

3535 BRIARPARK DR. #155
P.O. BOX 420250
HOUSTON, TEXAS 77242-0250
(800) 426-4936

March 3, 1988

Candy Bowman
City of Elgin
Box 128
Elgin, OR 97827



RE: 1184941

Dear Ms. Bowman:

Thank you for providing the additional information so completion of the City of Elgin annual financial review could be accomplished. As the servicer of your loan, it is our responsibility to review the financial condition and the ability of your City to meet future obligations. It is within this context that the following observations are made.

We encourage all borrowers to carry fidelity bond coverage sufficient to cover the maximum amount of cash available at any one time. This is to insure that any misappropriation of funds does not result in a large financial loss for the City. Presently, fidelity bond coverage is $40,000 however total cash of the City are $91,646 based on the 1987 financial statements. Unless proof of adequate internal controls can be shown where unauthorized withdrawal of cash cannot occur, the fidelity bond should be changed accordingly. Also, the co-obligee should be changed from FmHA to GECC - Master Servicer at the above address.

We look forward to working with you in the continued success of your operation. If you have any questions or need further assistance, please call me at (800) 426-4936.

Sincerely,

Tom Kerr

Tom Kerr
Financial Analyst

cc: Shirley Cowan, Mayor
Russ Donoghue, NRWA

TDK/daw/1586v

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